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Agenda items 115 and 116

PROGRAMME BUDGET FOR THE BIENNIUM 1994-1995

PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997

Administrative expenses of the United Nations Joint Staff Pension Fund

Second report of the Advisory Committee on Administrative and Budgetary Questions

I. INTRODUCTION

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Standing Committee of the United Nations Joint Staff Pension Board on the administrative expenses of the United Nations Joint Staff Pension Fund (UNJSPF) (A/50/312), submitted to the General Assembly at its fiftieth session. During its consideration of this item, the Committee met with the Chairman of the Standing Committee of the Pension Board, the Secretary of the Pension Board and, with regard to audit operations and investments of the Pension Fund, with the representatives of the Secretary-General.

2. The report of the Standing Committee of UNJSPF is submitted pursuant to the decisions of the General Assembly contained in resolution 46/220 of 20 December 1991. In that resolution, the Assembly decided to consider the item "United Nations pension system" only in even-numbered years (that is, the non-budget years), with the understanding that the review and approval of all matters related to the expenses of UNJSPF, including the biennial budgets of the Fund, would be taken up by the General Assembly as a sub-item under the agenda item for the United Nations biennial programme budget.

3. In order to conform to resolution 46/220, the Pension Board decided to adjust its work programme and, accordingly, informed the General Assembly, in its report to it at the forty-seventh session (A/47/9), that the Standing

Committee of the Board was authorized to meet in odd-numbered years (that is, the budget years) to deal, inter alia, with the review of the administrative budget of the Fund and, accordingly, to submit recommendations to the General Assembly. In resolution 47/203 of 22 December 1992, the General Assembly took note of the additional responsibilities delegated to the Standing Committee of the Board.

4. The report of the Standing Committee includes the revised budget estimates for the biennium 1994-1995 and the budget proposal for the biennium 1996-1997. The Committee notes, from paragraph 27 of document A/50/312, that the Standing Committee requested the Secretary of the Pension Board to submit to the General Assembly the budget proposals for the biennium 1996-1997, as presented to the Standing Committee by the Secretary of the Board, including the staffing proposals of the Investment Management Service. As indicated in paragraph 21, the Standing Committee's review of the administrative budget of the Pension Fund focused mainly on the proposals relating to the internal audit requirements of the Fund and the staffing resources requested for its investment management.

II. REVISED BUDGET ESTIMATES FOR THE BIENNIUM 1994-1995

5. The Advisory Committee notes from paragraphs 10 and 11 of the above document that the revised estimates for the biennium 1994-1995 amount to $40,517,600, comprising $13,309,400 for administrative costs and $27,208,200 for investment costs. The revised estimates reflect an increase of $835,500 over the approved 1994-1995 estimates of $39,682,100. The Committee further notes, from paragraphs 12 and 14, that the proposed increase in administrative costs relates mainly to the provision of $300,000, endorsed by the Standing Committee in order to extend to the staff members of the Fund the early separation programme approved by the General Assembly for United Nations staff, as well as a net increase of $525,500 for investments costs, required under the contractual arrangements for advisory and custodial services.

III. BUDGET ESTIMATES FOR THE BIENNIUM 1996-1997

6. As indicated in paragraph 16, the administrative budget proposal of the Fund for the biennium 1996-1997 amounts to $40,601,700, as compared with the approved budget for 1994-1995 of $39,682,100 and revised proposal for 1994-1995 of $40,517,600. The budget proposal comprises administrative costs of $13,740,000 and investment costs of $26,861,700.

Administrative costs

7. The Committee notes from paragraphs 16 and 17 that the proposed administrative costs of $13,740,000 include $12,823,700 of recurrent administrative costs and $916,300 of non-recurrent costs. The recurrent administrative costs are estimated at approximately 0.19 per cent of the estimated total pensionable remuneration. Upon inquiry, however, the Committee was informed that, based on past experience, it was expected that the actual ratio of recurrent administrative costs to the actual total pensionable remuneration would be in the neighbourhood of 0.18 per cent of the pensionable

remuneration, in line with the provision estimated for administrative costs in the actuarial valuation of the Fund since the 1986 valuation. The Committee notes from paragraph 32 that, as presented to the Board in 1991, for the biennium 1994-1995, the initial estimate of administrative costs was 0.187 per cent of the estimated total pensionable remuneration for the biennium; however, these were reduced to 0.166 in the revised budget for 1994-1995. The Committee expects to review the actual budget performance ratios of the administration of the Fund in the context of its examination of the report of the Pension Board to the General Assembly at its fifty-first session.

8. As shown in table 4 and explained in paragraphs 56-59, under the administrative costs of the Pension Fund, the budget proposal for 1996-1997 includes staffing requirements of 106 established posts for the secretariat of the Fund (34 Professional and 72 General Service posts). These include three additional established posts: two posts in New York (one P-4 and one G-7) and one General Service post in Geneva, as well as the reclassification of four posts (one P-3 post to the P-4 level in Geneva and three General Service posts to the G-7 level in New York). The Committee was furnished with a copy of the proposed organization chart of the secretariat of the Pension Fund, which is attached to the present report as annex I. The Advisory Committee has no objection to this proposal.

9. As stated in paragraph 64 of annex III to the report of the Pension Board to the forty-ninth session of the General Assembly (A/49/9), the Board of Auditors had recommended in its report on the accounts of the Pension Fund for the year ended 31 December 1993 that "consideration should be given to formally designating the [then] Office of Inspections and Investigations as the internal auditors of the Fund or alternatively establishing arrangements for a separate internal audit function for the activities of the Fund". The Committee recalls that in paragraph 25 of its report (A/49/576), it had requested "the Pension Board to present to the Advisory Committee the financial implications of the two options mentioned by the Board of Auditors in the context of the budget proposal for the biennium 1996-1997".

10. As indicated in paragraph 41 of document A/50/312, the Pension Board requested its Secretary to pursue the issue of arrangements for internal audit services with the United Nations Office of Internal Oversight Services, so as to ascertain whether arrangements could be made to extend the services of that Office to the Pension Fund's secretariat on a regular basis (A/49/9, para. 151). Subsequently, in resolution 49/224, the General Assembly requested the Board to report to the Assembly, in the context of its budget submission for 1996-1997, on the arrangements recommended by the Board of Auditors for internal audit of the Fund and the corresponding costs. The Advisory Committee notes that the report of the Standing Committee presents only one of the two options mentioned by the Board of Auditors.

11. The Committee notes from paragraphs 44-54 of document A/50/312 that the Standing Committee of the Board was advised in detail by the Office of Internal Oversight Services as to the financial implications for the provision of audit services by that Office. As indicated in paragraph 53, the funds required to offset the cost of services to be provided by the Office would be approximately $964,200. This would cover the costs of staff and the provision for other

support such as training, electronic data-processing equipment and travel. This provision is to cover the cost of audit of both the administrative and investment operations of the Fund. Since the internal audit would also cover the functions performed by the secretariat of the Fund as the local secretariat of the United Nations Staff Pension Committee, it is expected that one third of the audit costs relating to the administrative functions of the Fund will be borne by the United Nations regular budget (A/50/312, paras. 23 and 52).

12. With regard to the audit costs of the investment operations of the Fund, the Committee notes from paragraph 54 that these would amount to $256,200, as proposed by the Office of Internal Oversight Services. Upon request, the Committee was provided with the number of internal audits carried out since 1983. There have been five internal audit examinations of the administrative functions of the Fund but, with the exception of the overall annual audit carried out by the Board of Auditors, it appears that no internal audit examination of the investment operations of the Fund has taken place, at least since 1983. The estimated audit expenses for investments ($256,200) would cover one P-4 post to serve as coordinator of the new internal audit function and $50,000 estimated as the cost of engaging an outside consultant to assist the Office of Internal Oversight Services in the investment audit. In this connection, the Committee was informed by the representative of the Secretary-General for investments of the Fund that the examination of portfolio management would be most appropriately carried out by an outside firm with demonstrated investment accounting expertise. Upon request, the Committee was provided with the intended scope of the investment audit (see annex II to the present report). The Committee trusts that such audit would be carried out by a firm selected under international competitive bidding in accordance with the financial regulations and rules of the United Nations.

13. The Committee notes from paragraphs 24 and 52 that the Standing Committee agreed with the proposal of the Secretary of the Pension Board of "funding for the Office of Internal Oversight Services for the biennium 1996-1997 at the level of $500,000, plus inflation, under 'contractual services', to cover the costs of the internal audit function, pending future action by the Board and the General Assembly during the next biennium regarding longer-term audit arrangements". The total contribution to the Office would be $512,000, including inflation adjustments. Administrative audit costs chargeable to the United Nations regular budget are estimated at $102,400; those relating to the administrative audit of the Fund are budgeted at $204,800; and those to cover the audit of investment operations are also estimated at $204,800 and budgeted under the investment costs of the Fund (A/50/312, para. 52 and annex III). In the view of the Advisory Committee, all internal audit costs should be reflected in the administrative budget of the Fund under a separate provision for internal audit, that is, separately from those costs budgeted for the administrative costs of the secretariat of the Fund and from those relating to the Investment Management Service.

14. As indicated in paragraph 41 of document A/50/312, in its report to the General Assembly in 1994 (A/49/9), the Pension Board had requested that the results of any internal audits, whether carried out by the internal audit services of the United Nations or any other entity, should be communicated to the Pension Board through its Secretary and not otherwise distributed, with the

exception of internal audits of the investment operations of the Fund, as the investment function has been delegated to the Secretary-General under the Regulations of the Fund (i.e., art. 19).

15. The functions and reporting requirements of the Office of Internal Oversight Services as mandated by the General Assembly in its resolution 48/218 B of 29 July 1994, paragraph 5 (c) and (e), are "to assist the Secretary-General in fulfilling its internal oversight responsibilities in respect of the resources and staff of the Organization" and "to submit to the Secretary-General reports that provide insight into the effective utilization and management of resources and the protection of assets; the Secretary-General shall ensure that all such reports are made available to the Assembly as submitted by the Office, together with any separate comments the Secretary-General may deem appropriate". The Advisory Committee points out that the internal audit costs of the administrative functions of the Pension Fund's secretariat are partially covered by the regular budget of the United Nations (see paras. 11 and 12 above). The Committee recommends that the Pension Board provide clarification and guidance to its Secretary as to the arrangements to be made with the Office of Internal Oversight Services in respect of reporting on internal audit. The Board should also clarify whether the arrangements with that Office should be on the basis of a fee for service rather than the financing of a dedicated unit (including staff) in the Office.

Investment costs

16. The Committee notes from paragraphs 19, 29 and 68 of document A/50/312 that the proposed investments costs of the Pension Fund's Investment Management Service for 1996-1997 amount to $26,861,700, "all recurrent", and include provisions of $204,800 for internal audit costs (see annex III B to A/50/312).

17. As shown in table 6 and discussed in paragraphs 71-73, the budget proposal for the Fund's Investment Management Service for 1996-1997 includes staffing requirements of 30 established posts (12 Professional and 18 General Service posts). These include the additional staff requirements of six posts (one D-1, one P-5, one P-4 and three General Service posts) and reclassification of two Professional posts, the posts of the Chief of the Investment Management Service (from the D-1 to the D-2 level) and of the Information Systems Analyst (from the P-3 to the P-4 level).

18. Upon inquiry, the Committee was informed that all posts, including the four temporary posts (one P-3 and three General Service posts) which were authorized in 1995, were already classified by the Office of Human Resources Management (the Professional post at the P-4 level and the General Service posts at the G-6, G-5 and G-4 levels). The request for conversion of these temporary posts to established posts has been included in the budget proposal for the biennium 1996-1997. (See the proposed organization chart of the Fund's Investment Management Service in annex III to the present report.)

19. The Committee notes from paragraph 26 that the Standing Committee "was unable to take a position on the staffing arrangements proposed for the Investment Management Service, particularly as regards the classification of the post of the Chief of the Investment Management Service".

20. With regard to the role of the Board on investments of the Fund, the Committee sought clarification of the statement in paragraph 25 that the Board "retains important responsibilities as regards both the investment policies and transactions, as recognized in article 19 of the Regulations". The Committee was provided with clarifications prepared for the Under-Secretary-General for Administration and Management by the Office of Legal Affairs. The Committee was informed that under the provisions of article 19 of the UNJSPF Regulations and Rules (which are adopted by the General Assembly, upon the recommendation of the Board) the Secretary-General is solely responsible and accountable for investment of the assets of the Fund. Furthermore, it was noted that "in carrying out that responsibility, the Secretary-General consults with the Investment Committee, the members of whom he appoints. Under article 19 (a), the role of the Pension Board is "to make 'observations and suggestions ... on the investments policy'"; however, "the Secretary-General is not bound to follow such observations and suggestions" and he "alone bears the responsibility for the investment of the assets of the Fund". Thus, the Office of Legal Affairs indicated that "as a fiduciary for the interest of the participants and beneficiaries of the Fund, the Secretary-General has been accorded the powers of an agent with respect to the investment of the assets of the Fund".

21. With regard to the expenses for the administration of the Fund, the Office of Legal Affairs also provided clarification on the issue. The Committee was informed that "the Pension Board is required, pursuant to article 15 (b) of the Regulations, to submit a biennial estimate of expenses to the General Assembly for approval". It was indicated that "additionally, article 15 (a) provides that expenses incurred by the Board in the administration of the Regulations shall be met by the Fund". Thus, it was concluded by the Office of Legal Affairs that "the General Assembly has power to approve the budget for expenses of the Fund, and the Pension Board has the power to formulate a budget concerning, and to incur expenses in respect of, the administration of the Fund".

22. Clarification was also provided to the Committee with regard to the role of the Secretary-General vis-à-vis the role of the Secretary of the Pension Board. As indicated by the Office of Legal Affairs, "the Secretary-General appoints the Secretary and Deputy Secretary of the Pension Board on the recommendation of the Board". Additionally, it was noted that "the Secretary-General has the power to appoint such further staff as may be required from time to time by the Board." However, the Office of Legal Affairs pointed out that in accordance with the Fund's Regulations (art. 7 (c)), "the Secretary of the Pension Board shall be the chief executive officer of the Fund and shall perform his functions under the authority of the Board"; thus, he "acts under the authority of the Pension Board in carrying out the Pension Board responsibilities for the administration of the Fund. The responsibilities of the Pension Board include the formulation of the Budget for the expenses of the administration of the Fund, determination of the requirements of the staff for the secretariat support to the Pension Board, and the day-to-day administration of the Fund's assets".

23. Thus, as clarified by the Office of Legal Affairs, in the area of administration, duties and responsibilities fall upon the Pension Board and the Secretary of the Pension Board acting under the authority of the Pension Board, and, in carrying out its responsibilities for the administration of the Fund,

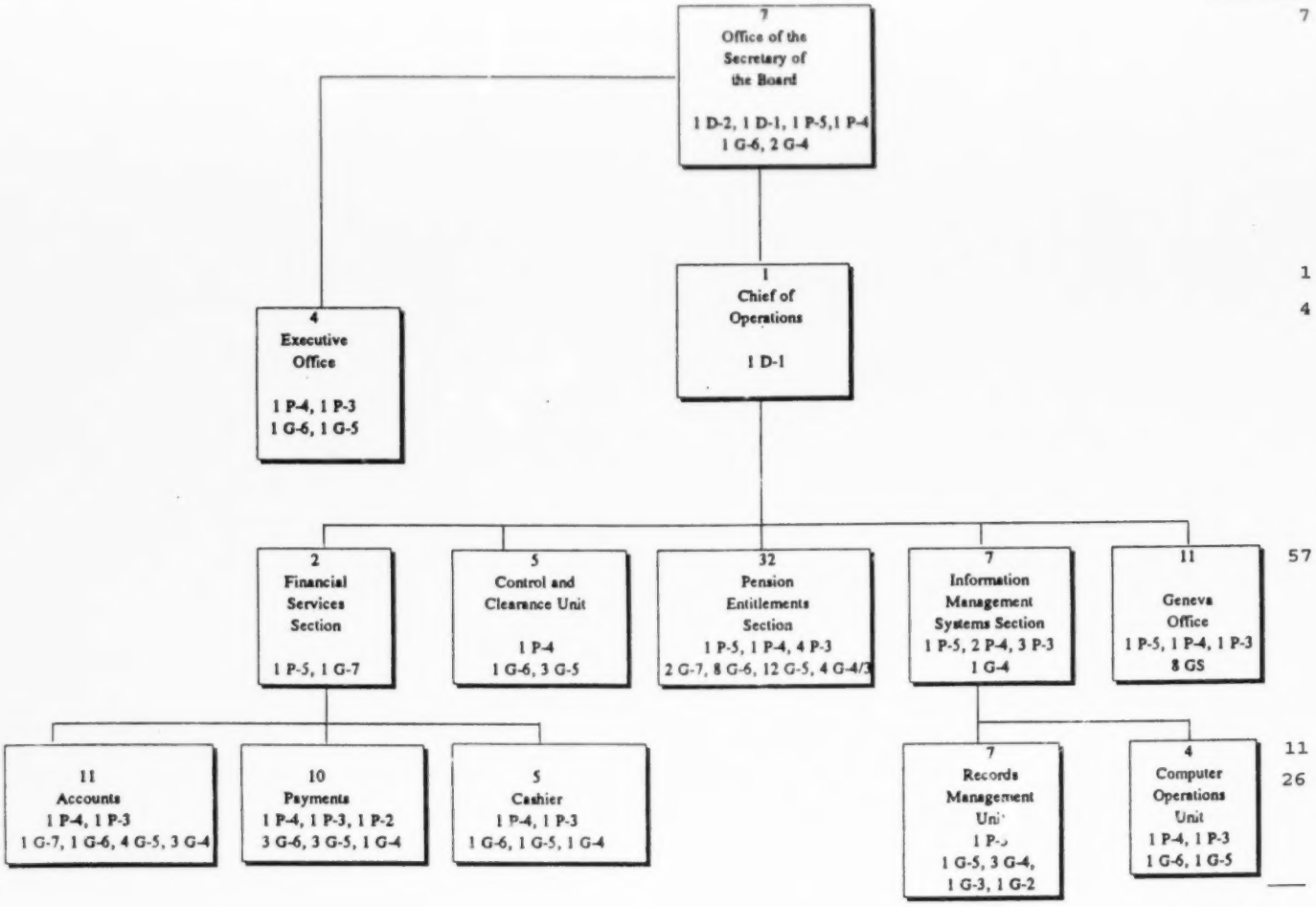
the Pension Board is accountable to the General Assembly. In the view of the Office of Legal Affairs, any differences between the Pension Board and the Secretary-General "as to the way in which the Pension Board exercises its powers over matters such as the budget proposals for the administration of the Fund, if they are not able to be resolved at sessions of the Pension Board, would have to be resolved by the Assembly to which the Pension Board must report and which approves the budget for the expenses related to the administration of the Fund."

24. Under the circumstances, in view of the position taken by the Standing Committee of the Board, as mentioned in paragraph 19 above, the Advisory Committee recommends that, for the biennium 1996-1997, the staffing proposals for the Investment Management Service, including the issue of the classification of the post of the Chief of the Investment Management Service, be addressed at the Pension Board's next regular session in 1996.

ANNEX I

Proposed organization chart of the United Nations Joint Staff Pension Fund

Pension Fund secretariat



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ANNEX II

Investment audit scope

1. The scope of the investment audit will cover the following:

(a) Whether all existing investments are recorded;

(b) It would focus on the effectiveness and appropriateness of the process of: (i) determining an investment strategy; and (ii) executing that strategy, including determination of asset allocation, investment selections and portfolio management as to both monitoring and risk abatement techniques. In big measure the audit should seek to confirm also that custody arrangements are sufficient to safeguard assets in the physical sense;

(c) In requesting outside expertise for the operational audit, it is recognized that the investment process involves sophisticated portfolio selection and monitoring techniques and the application of experience in the investment field to measure whether prudent investment decisions are being made, effectively controlled and risk protected.

2. Specifically, the audit would include the following matters:

(a) Audit of the approval process as to whether all transactions are effected within the delegated authority from the representative of the Secretary-General to the staff of the Investment Management Service. There are different levels of delegation set by amounts per transaction and all transactions must be signed by two officers within their delegated authority;

(b) General review of the portfolio in terms of average holding in relation to the size of the markets and the size of the companies;

(c) Audit of investment performance based on the established benchmark used for comparison, and as to whether the returns meet the objective of the Fund;

(d) Assessment of the efficiency of investment selection and trading by tracking the timeliness of the portfolio manager's decisions - measurement of the "implementation shortfall" or slippage between decision value and realized value;

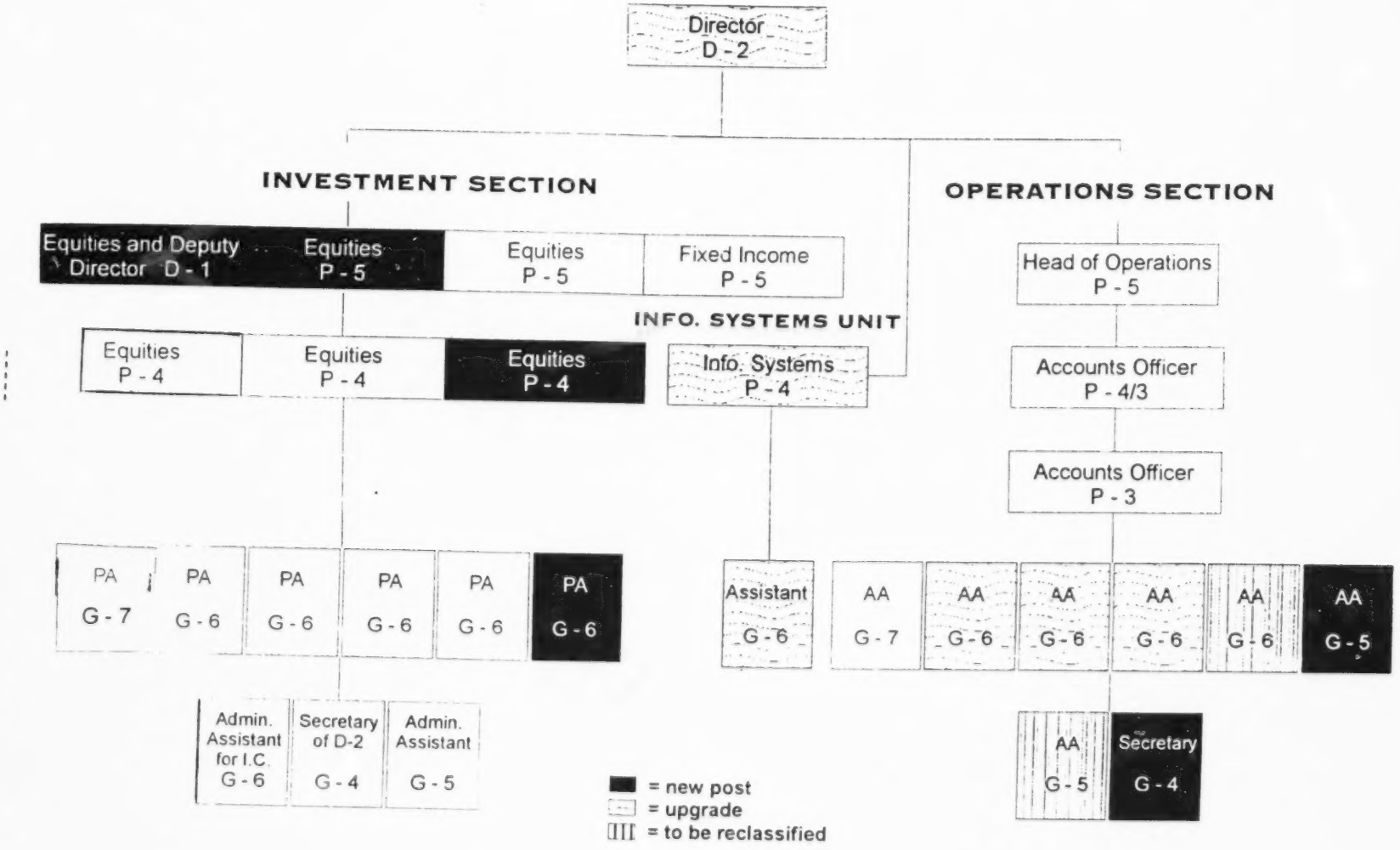
(e) Analysis of the value and cost of an array of issues from research to brokerage related to the investment process.

3. The Investment Management Service has two in-house systems: (a) a Portfolio Management System (PMS), which was installed a year ago; and (b) the Investment Control and Accounting System (INCAS), which provides automated accounting for the transaction activities of the investments of the Fund. An accounting firm, with expertise in portfolio management and investment accounting systems, would review and evaluate both systems, especially with respect to internal control procedures.

ANNEX III

Investment Management Service

PROPOSED STAFFING CHART


Director
D - 2
INVESTMENT SECTION
OPERATIONS SECTION
Equities and Deputy Director D - 1
Equities P - 5
Equities P - 5
Fixed Income P - 5
INFO. SYSTEMS UNIT
Equities P - 4
Equities P - 4
Equities P - 4
Info. Systems P - 4
Head of Operations P - 5
Accounts Officer P - 4/3
Accounts Officer P - 3
PA G - 7
PA G - 6
PA G - 6
PA G - 6
PA G - 6
PA G - 6
Assistant G - 6
AA G - 7
AA G - 6
AA G - 6
AA G - 6
AA G - 6
AA G - 5
Admin. Assistant for I.C. G - 6
Secretary of D-2 G - 4
Admin. Assistant G - 5
AA G - 5
Secretary G - 4
= new post
= upgrade
= to be reclassified

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PROGRAMME BUDGET FOR THE BIENNIUM 1994-1995

ADMINISTRATIVE AND BUDGETARY ASPECTS OF THE FINANCING OF THE UNITED NATIONS PEACE-KEEPING OPERATIONS: FINANCING OF THE UNITED NATIONS PEACE-KEEPING OPERATIONS

Special representatives, envoys and related positions

Third Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General (A/C.5/49/50) concerning special representatives, envoys and related positions. During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information.

2. The Secretary-General's report is submitted in response to the request of the General Assembly in its resolution 48/259 of 14 July 1994. In that resolution, the Assembly requested the Secretary-General: to clarify the position of special representatives and envoys appointed on a "when actually employed" basis, on special service agreement, on a one United States dollar-a-year honorarium or with no remuneration, and to submit to the Assembly at its forty-ninth session such special guidelines as would need to be applied to those types of contractual arrangements, including a set of objective criteria for determining the level of such positions and the form of remuneration to be used; and to ensure that the number of special envoys, special representatives and other special high-level positions was kept at a minimum, that their functions and responsibilities were more clearly defined and streamlined, avoiding any possible duplication, and that current financial regulations and budgetary procedures were fully complied with, and to report thereon to the Assembly at its forty-ninth session.

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3. In the same resolution, the General Assembly also endorsed the conclusions and recommendations of the Advisory Committee, as contained in its report A/48/7/Add.7. In paragraph 17 of its report, the Committee recommended, inter alia, that the establishment of all high-level positions of special representatives, envoys and advisers that were not against established or temporary posts considered and approved by the General Assembly under the regular budget or in the context of its consideration of the financing of peace-keeping operations (including through the support account) be made in accordance with the relevant Financial Regulations and Rules and with the prior concurrence of the Advisory Committee.

4. As noted below, the Committee believes that, contrary to the mandate of the General Assembly, current established budgetary procedures for the authorization of posts may have not been fully complied with in the appointment of special representatives, envoys and other special high-level officials. The Committee points out that the report to the forty-ninth session of the General Assembly is incomplete as it does not contain the information requested in resolution 48/259.

5. The Committee notes from paragraph 5 of the Secretary General's report (A/C.5/49/50) that, for the biennium 1994-1995, special representatives, envoys and other special high-level positions are grouped in the same three categories as in the previous report of the Secretary-General on the subject.

6. As indicated in paragraph 11 of the report, as at 31 October 1994, there were 44 officials in the positions of special representatives, envoys and other special high-level functions who reported directly to the Secretary-General. The Committee was informed that as of 15 September 1995 there were 48 high-level encumbered positions. The Committee requested (on several occasions) but was not provided with updated information on the breakdown by categories and functions of these positions.

7. The Advisory Committee requests the Secretary-General to issue an addendum to update the annex to his report A/C.5/49/50. The revised annex should contain the number of special representatives, envoys and other high-level special advisers reporting directly to the Secretary-General, including those officials appointed at the D-2 level. The annex should also reflect a historical comparison of all positions encumbered by the end of 1991 with those encumbered by the end of 1995, indicating the source of financing of the costs associated with such positions, as well as the type of contract issued and all the costs associated with such positions (i.e., fixed-term, "when actually employed", special service agreement, $1 a year basis, and any other contractual arrangements). The addendum should also respond more fully to the request of the General Assembly in its resolution 48/259 to submit to it "such special guidelines as would need to be applied to these types of contractual arrangements, including a set of objective criteria for determining the level of such positions and the form of remuneration to be used".

8. The Advisory Committee notes that, as listed in the annex to the report of the Secretary-General, there are 23 positions in the first category (special representatives and other high-level positions in peace-keeping or observer missions that have been authorized by the Security Council). This is the same

number of positions reviewed by the Committee in its previous report on the subject (A/48/7/Add.7). The Committee notes that in the course of its examination of budget submissions to the General Assembly on peace-keeping operations, the Committee had the opportunity to review and comment on the civilian personnel component of the missions, including the positions of special representative and deputy special representative of the Secretary-General. The Committee notes from paragraph 16 of that document A/C.5/49/50 in 1994, on an annualized basis, the total budgeted remuneration for the 23 posts amounted to $4.6 million, compared to $4.3 million of total annual remuneration budgeted for this category of positions as reported to the Committee in May 1994 (A/48/7/Add.7, para. 6).

9. The Committee recalls that in paragraph 9 of its report A/48/7/Add.7, it had been informed that, out of a total of 23 high-level positions, 19 posts were filled by officials who held fixed-term contracts, 3 officials who were appointed on a "when actually employed" basis and one post was vacant (Chief of Staff of the United Nations Truce Supervision Organization) (UNTSO). The Committee requested but did not receive updated information on the number of positions filled and the type of contractual arrangements.

10. Upon request, the Committee was provided with a copy of the draft guidelines regulating the use of "when actually employed" appointments. The Committee notes from paragraph 14 of document A/C.5/49/50 that the Secretary-General intends to submit these guidelines to the General Assembly "in due course".

11. The second category relates to appointments by the Secretary-General of 16 envoys, "normally for a limited period, to assist him in the exercise of his good offices or related functions" (A/C.5/49/50, para. 7). As further indicated in paragraph 7, "these appointments are either specifically recommended by the Security Council or the General Assembly or relate to issues or situations with which these bodies are seized". The Committee notes from paragraph 17 that the costs associated with seven special envoys in this category amounted to $3.5 million in 1994, which were funded under the provisions for the maintenance of peace and security of General Assembly resolution 48/229 of 23 December 1993 on unforeseen and extraordinary expenses for the biennium 1994-1995. The Committee recalls that, as indicated in its previous report on the subject, the Committee had been informed that "on an annualized basis, total budgeted remuneration of officials in this category of high-level positions amounts to approximately $1.3 million" (A/48/7/Add.7, para. 13). The Committee requested but was not provided with information on the contractual arrangements for the positions financed under the provisions of resolution 48/229, nor was the Secretariat able to provide the Advisory Committee with a definition of "limited duration".

12. The Committee cautions that the reduction in the number of established posts in the United Nations regular budget should not lead to the emergence of new procedures whereby high-level positions, which may not necessarily be related to the maintenance of peace and security, or be of an unforeseen and extraordinary nature, are funded under the provisions of resolution 48/229. Moreover, the Committee points out that this resolution was not intended to cover the establishment of positions on a continuing basis.

13. As indicated in paragraph 18, the remuneration, on an annualized basis for officials in the category of "other special high-level positions" amounted to $600,000 and the "associated costs are included in the regular budget for the biennium 1994-1995". The Committee understands that some of these positions are occupied by special advisers to the Secretary-General financed from the provisions of the regular budget for temporary assistance. The Committee was informed that some officials in those positions are being hired on a fixed-term basis, either intermittently or continuously, with short breaks in their contracts to conform to the guidelines for the appointment of temporary staff financed from general temporary assistance funds. The Advisory Committee understands that problems have arisen because in those instances where the function performed is, in fact, required on a continuous basis, interruptions simply to conform to the procedure for temporary service have a negative impact on the provision of services; in this regard, the Committee understands that in some cases procedures which limit continuous service to 11 months are being disregarded. In the opinion of the Advisory Committee, all this points to the need for transparency in the use of temporary positions and the necessity for ensuring that they are only utilized for temporary requirements.

14. In this regard, the Committee points out that there is need for greater transparency in the budgetary process, so as to reflect in the staffing tables of the Secretariat all positions which are for continuing functions. In the Committee's view, positions which are required for the performance of functions of a continuing nature in the work of the United Nations should be budgeted in the United Nations regular budget for review and approval by the General Assembly, through the Advisory Committee.

15. In a related matter, the Committee sought clarification as to the existing guidelines for the use of funds budgeted under general temporary assistance (as distinct from temporary assistance for meetings, which is utilized for conference services). The Committee was informed that provisions for general temporary assistance are included in the United Nations regular budget with the purpose of covering the costs relating to peak workload and those for the temporary replacement of staff on maternity and sick leave under the provisions of the Staff Rules. The Committee was informed that provisions for temporary assistance have not been included in the budgets of peace-keeping operations, with the exception of United Nations Disengagement Observer Force and United Nations Interim Force in Lebanon missions and the peace-keeping support account. It was indicated to the Committee that, as authorized by the General Assembly in paragraph 12 of resolution 49/250 of 20 July 1995, 61 temporary positions funded from general temporary assistance funds under the support account have been converted to temporary posts. Furthermore, it was added that, in accordance with paragraph 14 of that resolution, a special adviser to the Secretary-General continues to be financed from general temporary assistance funds under the support account.

16. The Committee requested and was provided with the Secretary-General's administrative instructions setting out detailed provisions for obtaining the temporary services of individuals as temporary staff or as individual contractors and for obtaining the temporary services of individuals as consultants.

17. The Committee notes from these instructions that "temporary staff may be appointed and individual contractors may be engaged against funds for the purpose of temporary assistance" and "temporary staff may also be appointed against established, temporary or authorized posts when the post is vacant and the temporary staff are to perform the functions normally associated with the post pending its incumbency by regular staff" (ST/AI/295, para. 8). The Advisory Committee requests the Secretary-General, at the earliest opportunity, to issue further refinements to the guidelines on the use of funds budgeted for general temporary assistance to ensure consistency of application of the relevant procedures.

18. The Advisory Committee understands that some high-level positions are being financed from funds appropriated for general temporary assistance and that some of these positions have not been reviewed by the Advisory Committee as mandated by the General Assembly. The Committee has requested the Secretary-General (see for example A/50/7, paras. 68 and 82) to reconsider this practice and to follow the normal procedure for the establishment of posts. The Committee has been concerned with the practice of a flexible interpretation of the guidelines for the use of funds appropriated for general temporary assistance. Often these funds are used with the purpose of financing de facto temporary posts. This situation not only hampers adequate control of the staffing tables but also avoids the review by the Committee and the General Assembly of the functional responsibilities of such posts. The Advisory Committee requests the Secretary-General to report to the General Assembly during the fiftieth session, through the Advisory Committee, on the measures he has taken to address the concerns raised above.

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PROGRAMME BUDGET FOR THE BIENNIUM 1994-1995

PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997

THE SITUATION IN CENTRAL AMERICA: PROCEDURES FOR THE ESTABLISHMENT OF A FIRM AND LASTING PEACE AND PROGRESS IN FASHIONING A REGION OF PEACE, FREEDOM, DEMOCRACY AND DEVELOPMENT

United Nations Mission in El Salvador

Programme budget implications of draft resolution A/50/L.7

Fourth report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the statement submitted by the Secretary-General on the financing of the extension of the United Nations Mission in El Salvador (MINUSAL) for the period from 1 November 1995 to 30 April 1996 (A/C.5/50/14).

2. As indicated in paragraph 4 of the Secretary-General's statement, should the General Assembly adopt draft resolution A/50/L.7, the requirements for the extension of the mandate of MINUSAL amount to $1,366,200. The Secretary-General proposes to finance MINUSAL from additional provisions under the regular budget for the bienniums 1994-1995 and 1996-1997 ($452,500 for 1995 and $913,700 for 1996). These provisions would include the costs of 10 Professionals (1 D-2, 1 P-5 and 8 P-4), 1 General Service, 15 local level posts and 4 civilian police.

3. The Committee sought clarification as to the authority for the establishment of MINUSAL. The Committee recalls that the Security Council, in its resolution 961 (1994) of 23 November 1994, extended the mandate of the United Nations Observer Mission in El Salvador (ONUSAL) for one final period

from 1 December 1994 to 30 April 1995 and, in its resolution 991 (1995) of 28 April 1995, the Security Council affirmed that the mandate of ONUSAL had terminated as of 30 April 1995.

4. The Committee was informed that the establishment of MINUSAL by the Secretary-General was in response to the request by the General Assembly in its resolution 49/137 of 19 December 1994, paragraph 15, "to devise procedures for providing El Salvador, in the context of the peace agreement, with the necessary cooperation and assistance in the period after the United Nations Observer Mission in El Salvador, in order to safeguard peace and the strengthening and consolidation of national reconciliation, democracy and sustainable development". The Committee notes that in this connection the Secretary-General has submitted a report to the fiftieth session of the General Assembly on the situation in Central America (A/50/517).

5. As indicated in paragraph 3 of the Secretary-General's statement and in paragraph 2 of his report contained in document A/50/517, the Secretary-General, in his letter dated 6 February 1995 (S/1995/143), informed the President of the Security Council of his intention to put in place "a small team of about eight Professionals, with the necessary support staff. This team would have the capability to provide good offices, to verify implementation of the outstanding points on the peace agreements and to provide a continuing flow of accurate and reliable information" so that the Security Council can be kept informed as necessary. The arrangement proposed by the Secretary-General to the Council was welcomed by the Council, as indicated in the letter dated 17 February 1995 from the President of the Council to the Secretary-General (S/1995/144).

6. As stated in paragraph 3 of the Secretary-General's statement, MINUSAL began its work on 1 May 1995 upon conclusion of ONUSAL's mandate, effective 30 April 1995. The funding of MINUSAL for the period from 1 May 1995 to 31 October 1995 was authorized by the Secretary-General under the terms of General Assembly resolution 48/229 on unforeseen and extraordinary expenses.

7. For the period starting on 1 May 1995 up to 31 October 1995, the MINUSAL team was composed of 11 Professionals, headed by the Special Representative of the Secretary-General at the assistant secretary-general level, supported by 8 civilian police, 1 internationally recruited General Service staff and 15 local level staff. The Committee notes from paragraph 26 of document A/50/517 that the Special Representative of the Secretary-General left El Salvador at the end of September 1995. As indicated in paragraph 5 of document A/C.5/50/14, he has been replaced by a representative of the Secretary-General and head of the Mission at the D-2 level. Upon inquiry, the Committee was informed that, for the six-month period of MINUSAL's activities from 1 May 1995 to 31 October 1995, the Secretary-General has, pursuant to General Assembly resolution 48/229, authorized expenditures in the amount of $1,028,500. This authorization did not involve submission of a proposal to the Advisory Committee for review. The Committee was informed that trust fund contributions to date to MINUSAL amounted to $318,000, of which $72,090 would be available to cover partially some of the 1995 additional requirements.

8. In paragraph 1 of his statement, the Secretary-General indicates that the proposal to extend MINUSAL for a period of six months, from 1 November 1995 to

30 April 1996, includes a gradual reduction in strength and costs. In addition, in his report contained in document A/50/517, the Secretary-General indicates that, "depending on the rate of progress in the coming months, it should be possible to reduce further the size of the Mission and gradually phase it out" (A/50/517, para. 28).

9. The Committee points out that the timing of these reductions in personnel and costs are not explained in the Secretary-General's statement. The Committee expects that, as implementation of the aspects of the peace agreements is completed, the Secretary-General will review the number and level of the posts and other expenses of the Mission with a view to making appropriate reductions.

10. The Committee was not provided with adequate justification for the posts being requested in relation to the programme of work for the completion of all outstanding areas of the peace accords mentioned in paragraph 3 (i.e., public security, land transfer, human settlements, reinsertion programmes, protection of the wounded and disabled and legislative reform). The Committee recommends that, should the Mission be further extended beyond 30 April 1996, the Secretary-General should provide more detailed justification for the posts requested.

11. With regard to provisions for three international consultants, upon request, the Committee was informed that, since one of the international consultants' place of residence is in El Salvador, the related reductions for travel and subsistence costs amount to $6,700 in 1995 and $10,200 in 1996. The Committee understands that ONUSAL's consultants have been retained for services to MINUSAL. The Committee trusts that, for all consultants, arrangements will be made to provide the requisite expert knowledge to the Mission in the most cost-effective manner. As for the local press consultant, the Committee requests the Secretary-General to ensure that arrangements take into account existing capacity and capabilities within the Department of Public Information, taking also into account the need for specialized knowledge of the area.

12. The Committee notes from the annex to the Secretary-General's statement that provisions for equipment are limited to requirements for operation and maintenance. Upon inquiry, the Committee was informed that MINUSAL's equipment was obtained from the available stock of ONUSAL. The Committee recalls that it had been informed of the disposal of ONUSAL assets in the report of the Secretary-General of 22 June 1995 (A/49/518/Add.2). The value of ONUSAL assets transferred to MINUSAL in that report was estimated at about $432,200 (A/49/518/Add.2, annex II).

13. The Committee recalls that, as indicated in paragraph 20 of document A/49/518/Add.1, the equipment and property of ONUSAL was disposed of in accordance with General Assembly resolution 49/233 of 23 December 1994. The Committee expects to revert to the issue of examining the accounting procedures for the transfer of assets among United Nations operations that are financed by different scales of assessment upon receipt of the Secretary-General's comprehensive report on the subject of the transfer of assets.

14. The Committee notes that, under provisions for miscellaneous services and supplies, production of official reports is estimated at $30,000 ($5,000 per

month) in paragraph 11 of the annex to the Secretary-General's statement. Upon inquiry, the Committee was informed that the total production cost of reports is estimated at $5,000 for the Mission's mandate period ($1,600 for 1995 and $3,400 for 1996) instead of $5,000 per month. Therefore, the provisions for this item should be reduced by $25,000 ($8,400 in 1995 and $16,600 in 1996).

15. With regard to rental and maintenance of premises, the Committee urges the Secretary-General to make every effort to obtain contributions from the host Government whenever feasible.

16. Taking into account the adjustments mentioned in paragraphs 11 and 14 above, the Advisory Committee believes that additional requirements for 1995 should not exceed $367,400. Such additional appropriation as may be necessary for 1994-1995 should be considered in the context of the second performance report for the biennium 1994-1995, which will be considered by the General Assembly during its fiftieth session. For the additional requirements of MINUSAL in 1996, the Committee recommends that the Fifth Committee inform the General Assembly that adoption of draft resolution A/50/L.7 entails an additional requirement of up to $886,900 under section 3 of the proposed programme budget for 1996-1997. Such additional appropriation as may be necessary will be considered by the General Assembly in the context of its approval of the proposed programme budget for 1996-1997.